

Virginia Coal and Energy Commission & Commission on Electric Utility Restructuring

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Dominion®

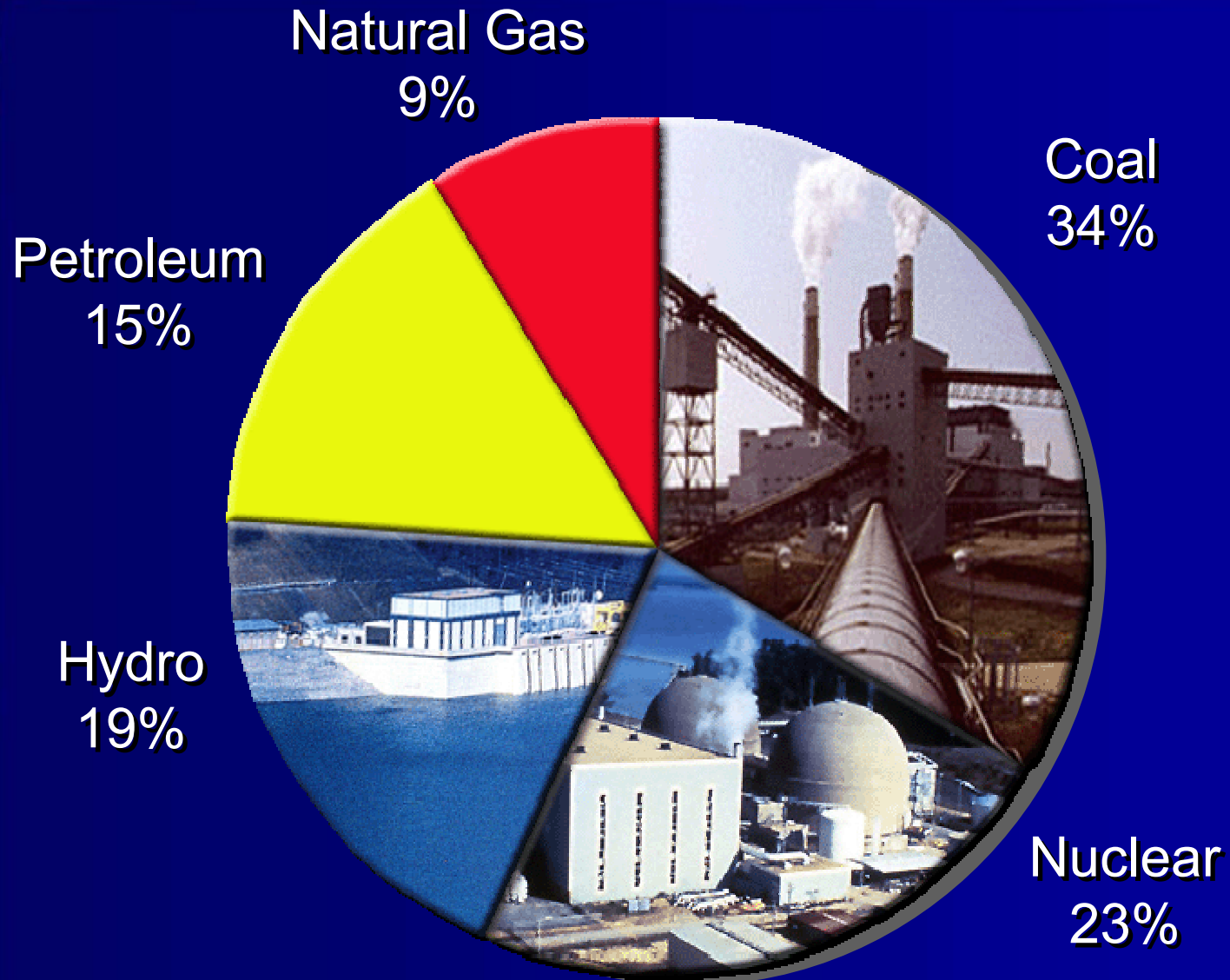
Dominion – A Major User of Virginia Coal

- Dominion has six major coal-fired power stations serving customers in Virginia
- Dominion annually buys a total of about 5 million tons of Virginia coal and burns about 4 million tons to generate power
- Dominion's historic settlement with EPA:
 - addresses environmental concerns
 - provides certainty in compliance requirements
 - costs \$1.2 billion (\$.9 B in coal plant upgrades)
 - helps insure long term use of Virginia coal
- Dominion supported Virginia coal tax credit extension

Dominion – A Major User of Virginia Coal

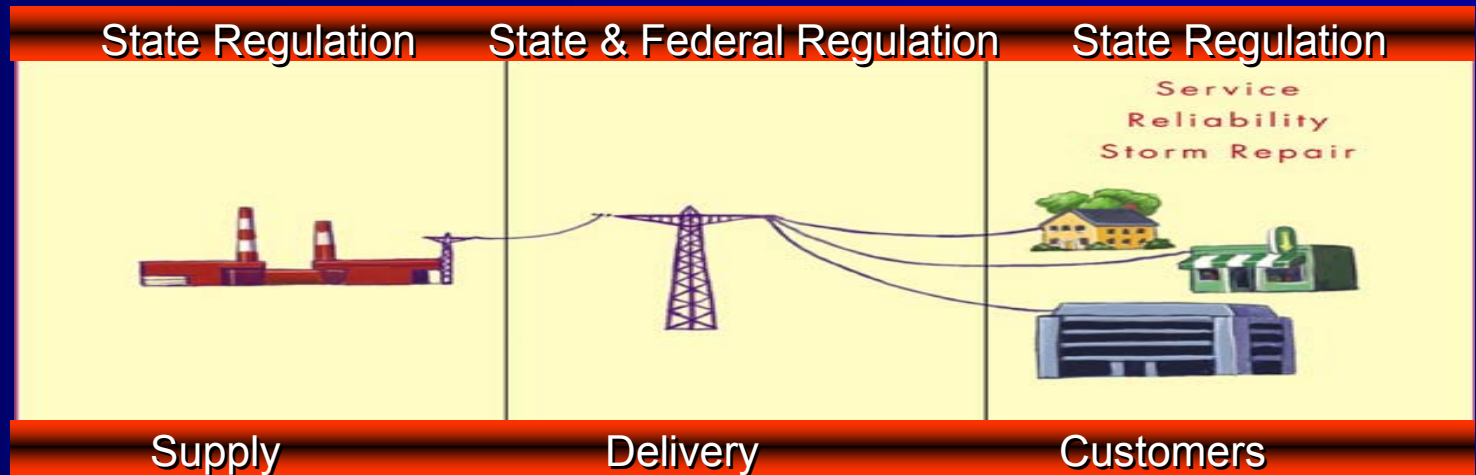
- Dominion supported SB 651
 - Includes new coal-fired power station in southwest Virginia
- Dominion active in new programs to keep coal use viable
 - DoE carbon sequestration partnership
- Dominion welcomes future opportunities in southwest Virginia

Virginia - Fuel Diversity and Balance



Changes to Virginia's Industry Structure

Past



Present



Default Service – The Major Consumer Protection in the Restructuring Act

No sunset date on default service provisions

- Assures service to customers that:
 - do not select an alternative supplier
 - are denied service from alternative suppliers
 - have an alternative supplier who fails to provide service
- Default service is controlled by the SCC:
 - rates set by competitive bidding or based on market prices for generation
 - provides for rate stability
 - SB 651 provides recovery of eligible coal plant costs

SB 651 – Reaffirms Restructuring in Virginia

- Amends the Restructuring Act of 1999
- Extends capped rates through 2010
- Freezes Dominion's fuel cost adjustment
- Allows RTO integration to go forward
- Facilitates retail competition
 - Wires charge exemptions
 - Municipal aggregation
- Encourages coal plant(s) in southwest Virginia

SB 651 – Benefits Consumers

- Additional savings due to rate cap extension:
 - total savings of \$1.8 B for Dominion's residential customers
- Shields Dominion's customers from risk of fuel costs increases
- Allows RTO integration to proceed – producing enhanced reliability and customer savings
- Expands options for customer choice
- Enhances energy security by encouraging new coal-fired generation

SB 651

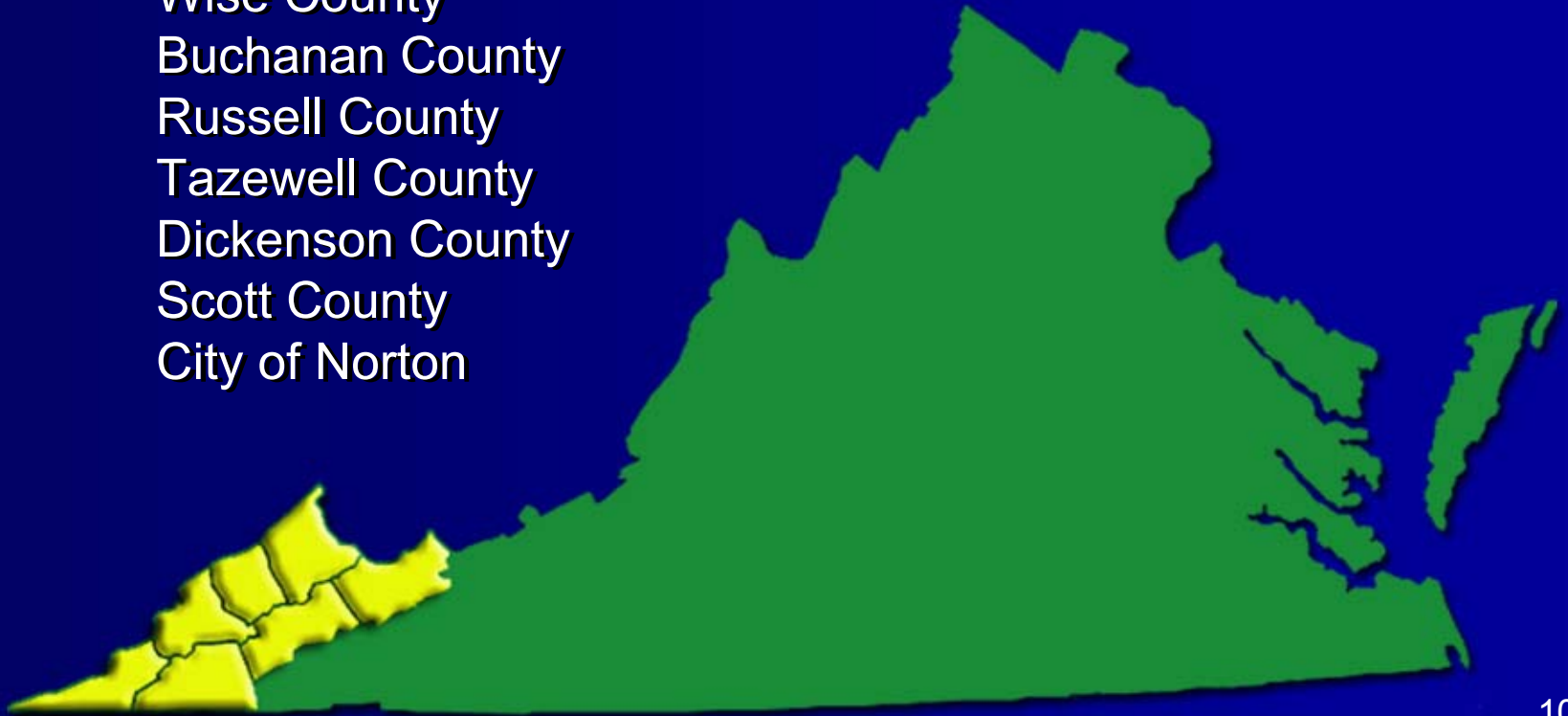
Virginia's legislative incentive
for development of major
coal-fired power stations
in southwest Virginia.

New generation will
be needed by 2010

SB 651 – Opens Way for New Coal-fired Plant(s)

- Plant to be located in southwest Virginia

Lee County
Wise County
Buchanan County
Russell County
Tazewell County
Dickenson County
Scott County
City of Norton



SB 651 – Opens Way for New Coal-fired Plant(s)

- Only an investor-owned incumbent distributor designated as a default provider, may petition the SCC for approval
- Incumbent distributor may work with other entities to develop the plant
- Plant must burn Virginia coal
- Output is dedicated to Virginians
- Recovery through default rates reduces investor risk

Benefits of New Coal Plant (500 MW)

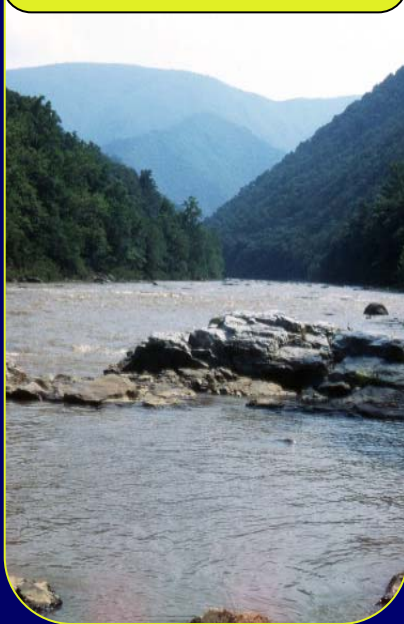
- 1000 new construction jobs
- Employment of 90 plant operators, 250 mining jobs
- Will burn 1.5 million tons of coal/year
- Boosts regional economy
- Tax revenues of \$6 million annually
- Provides reliable and economical electricity for Virginians
- Helps sustain continued economic development

Recent Activities

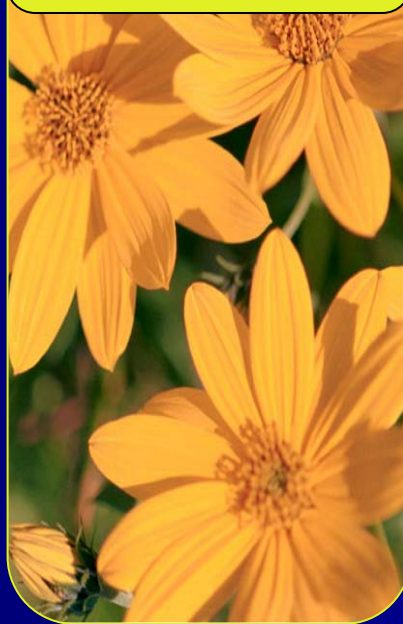
- Power plant developers looking at potential sites
 - Dominion's team has visited the area
 - Non-utility generators interested
- Promising sites and possible technologies being evaluated
- Virginia Coalfield Economic Development Authority providing valuable liaison in southwest Virginia
- Department of Mines, Minerals and Energy providing information to interested parties

Challenges

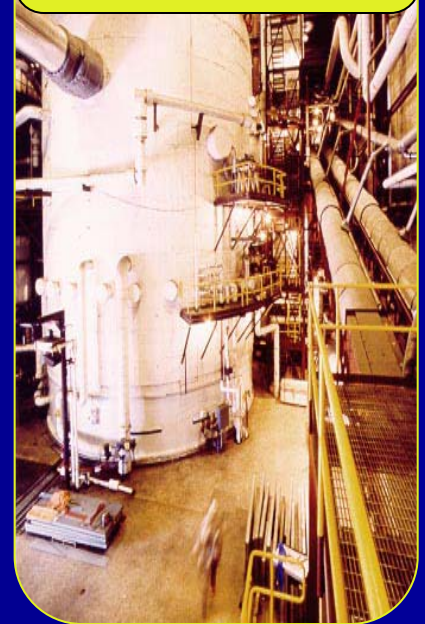
Water Supply



Environmental Compliance



New Technologies

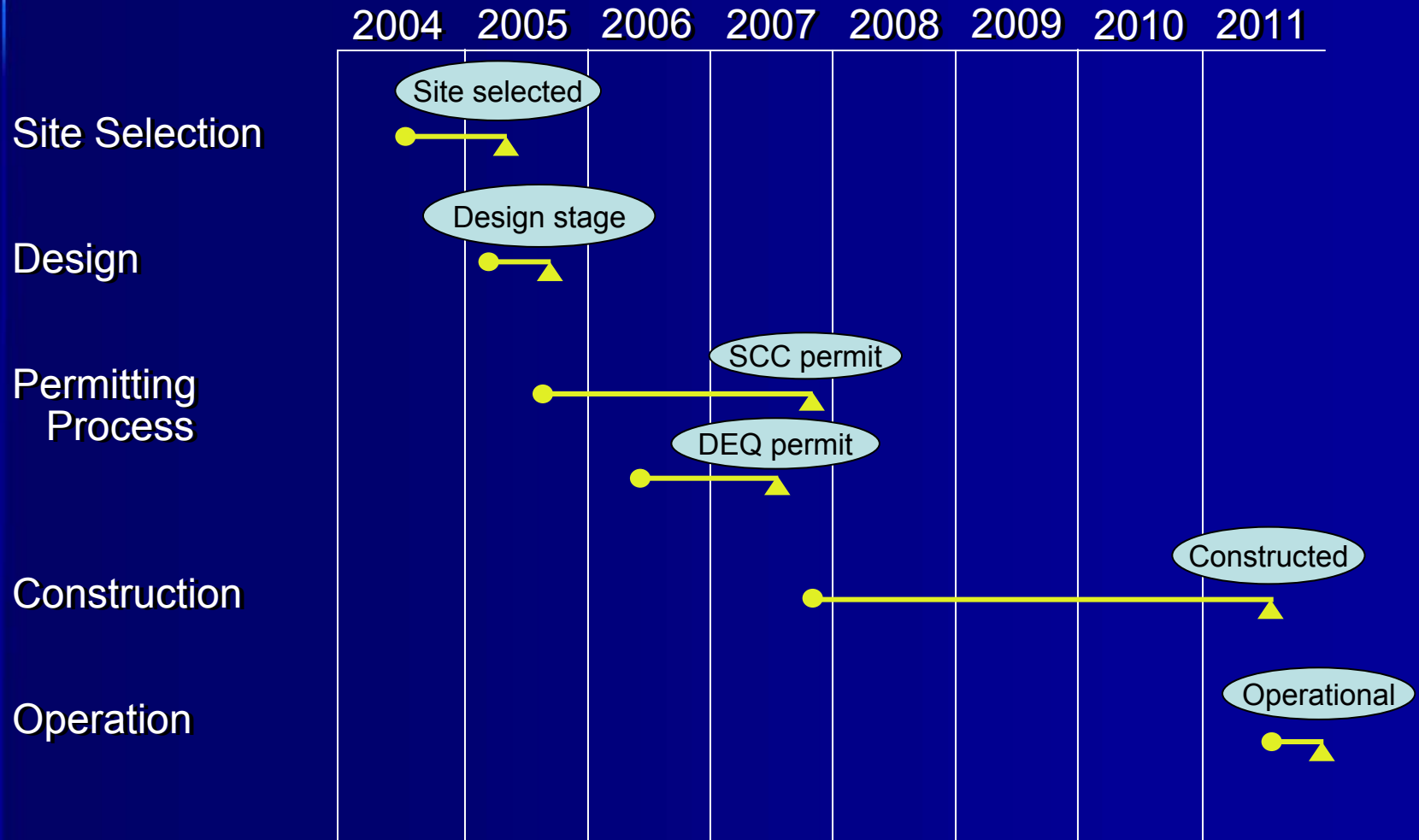


The Good News

None of these challenges are insurmountable!

- The proper match of fuel and technology at the right site can facilitate environmental compliance and produce power at a reasonable cost

New Coal Plant Timeline



SB 651 – Helping to Meet Virginia's Future Energy Needs

- New coal plant will help meet Virginia's energy needs
- Virginia Coal will continue to be a major contributor to Virginia's fuel mix
- Default service and other consumer protections remain in place with no sunset
- New plant will comply with all environmental laws and regulations
- New plant will assist in sustaining Virginia's healthy economic growth



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